

RELEASED



RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.  
UNITED STATES GENERAL ACCOUNTING OFFICE

WMA  
120258

WASHINGTON, D.C. 20548

IN REPLY  
REFER TO:

COMMUNITY AND ECONOMIC  
DEVELOPMENT DIVISION

B-199280

JUNE 26, 1980



120258

✓ The Honorable Doug Walgren  
House of Representatives

Dear Mr. Walgren:

Subject: [ Status of the Department of Housing and  
Urban Development's Urban Development  
Action Grant for the Parkway Center  
Shopping Mall in Pittsburgh, Pennsylvania  
(CED-80-110)

AG 200023

Based on your request of March 6, 1980, we reviewed the Department of Housing and Urban Development's (HUD's) preliminary approval of an urban development action grant (UDAG) supporting the proposed Parkway Center Shopping Mall in Pittsburgh, Pennsylvania. As agreed when we briefed you on May 28, 1980, this report summarizes our findings on the status of this project, including our observations on (1) the propriety of the intended use of the grant funds for this type of project and (2) the approval process HUD used in this instance.

HUD's January 10, 1980, announcement of the \$4.6 million grant to the city of Pittsburgh for the Parkway Center Shopping Mall was based on a preliminary application approval. The final grant agreement, which establishes actual grant conditions, had not been executed as of June 19, 1980. In addition, a detailed environmental assessment had not yet been completed. HUD does not plan to release funds for the project before the environmental assessment, including traffic mitigation measures, and an economic analysis of the project's effect on other nearby shopping centers are completed.

It appears that HUD followed its normal operating procedures in giving this application preliminary approval, and that the type of project involved--a new commercial shopping center--is similar to several other projects that received UDAGs in other locations in the country. Although HUD's Pittsburgh area office recommended against approval in its November 30, 1979, analysis of the project, the HUD

51130

(384810)

central office announced preliminary approval of the grant a little over a month later--January 10, 1980. This reversal is not improper, according to the Director of the UDAG program, since (1) additional information and assurances on the application were received between the time of the area office's review and preliminary grant approval and (2) the HUD UDAG central office staff is responsible for making funding recommendations to the HUD Assistant Secretary for Community Planning and Development.

THUS FAR THE GRANT HAS RECEIVED  
ONLY PRELIMINARY APPROVAL

On October 31, 1979, the city of Pittsburgh applied for a \$4.6 million UDAG to support the construction of the Parkway Center Shopping Mall project by a private developer. Of the total grant amount, \$2.6 million was for public improvements and \$2 million was for a loan to the developer (The Kossman Development Company) to help finance the construction of the shopping mall. HUD has estimated that the grant will generate over \$17 million in private investment, resulting in a leveraging ratio of 3.8:1. The proposed mall is to be located on 16.67 acres of land just inside the Pittsburgh city line adjacent to the Borough of Green Tree. As planned, the proposed mall will include two department stores, one supermarket, one drugstore, and approximately 40 smaller stores. The city of Pittsburgh has projected that the new mall will increase the city's property tax revenues by \$300,000 annually, and HUD has estimated that 1,200 new jobs will be created.

As of June 19, 1980, the formal grant agreement between HUD and the city of Pittsburgh had not been executed. The UDAG program director told us that the grant agreement would be sent to the city for signature in June 1980 and that funds will not be released for the project until the grant agreement is executed and the following studies are completed:

- The environmental assessment, including an analysis of traffic mitigation measures.
- An economic study of the project's effect on area businesses.

An environmental assessment, including traffic mitigation measures, must be completed

A controversy surrounds the project, much of which involves the additional traffic that will be generated by the shopping mall. Although the mall would be entirely within the Pittsburgh city limits, much of the traffic generated by the mall would use Greentree Road, which is located in the Borough of Green Tree.

The UDAG application originally proposed several traffic improvements, as follows:

- Completing an exit ramp from Interstate 279 (Penn-Lincoln Parkway) onto Greentree Road.
- Widening of Greentree Road.
- Adding four traffic lights on Greentree Road.
- Improving other roads and accesses close to the proposed mall.

Almost all of these improvements would have been in the Borough of Green Tree, but the borough is opposed to them. When the borough's opposition became apparent, a new traffic mitigation proposal surfaced--a new exit ramp off the Penn-Lincoln Parkway leading directly to the proposed shopping mall. That proposal will be included as part of the environmental assessment. Before any exit ramp from Interstate 279 to the mall can be built, the plans for it must be reviewed and approved by the Pennsylvania Department of Transportation and the Federal Highway Administration.

Federal Highway Administration officials told us that, although they could not rule on the proposed exit ramp until they review the specific proposal, they could not recall any cases where an exit ramp off the interstate system directly onto private property was approved.

One stipulation in the proposed UDAG grant agreement of February 15, 1980, conditioned the release of grant funds, in part, on evidence that a vehicular exit ramp from the west-bound lane of the Penn-Lincoln Parkway to the Parkway Center would be built. Although the grant agreement had not been

executed as of June 19, 1980, the UDAG program director said that the exit ramp condition would still be included in the grant agreement.

HUD's environmental review regulations (24 CFR 58) provide, in part, that pending completion of the appropriate environmental clearances, grant funds cannot be used. The regulations also provide for a 15-day period for public comments after the environmental assessment is published but before funds can be released.

#### Economic impact study underway

The UDAG development director for this project told us that a Pittsburgh firm is currently studying the economic impact of the proposed mall on other area businesses. The contract for the study was let on May 22, 1980, and the projected completion date is about July 1980. The UDAG program director told us that HUD does not plan to release funds for the project until this study is completed.

#### PARKWAY CENTER SHOPPING MALL GRANT SIMILAR TO SEVERAL OTHERS

UDAGs are made to support three types of projects-- commercial, industrial, and neighborhood. The Parkway Center Shopping Mall is classified as a commercial project. During the funding cycle in which this grant received preliminary approval, we identified 17 other preliminary approvals for commercial projects. Of these, three projects involved new retail shopping centers. Thus, this project is similar to several other UDAGs in other locations in the country.

#### HUD's HANDLING OF GRANT APPLICATION

UDAG applications are reviewed concurrently by the responsible area office and the UDAG central office in Washington, D.C. The area office forwards its comments to HUD headquarters in Washington, D.C., where final decisions on UDAGs are made. In a memo dated November 30, 1979, the Pittsburgh area office manager said that the area office recommended against approving the project. The area office manager told us in May 1980 that his negative recommendation was based primarily on the need for additional studies, such as the environmental assessment and the analysis of the project's effect on area businesses. Although he felt that

these studies should have been completed before the preliminary grant approval, he said that he agreed with the grant in concept and would support it if the results of the studies were favorable.

The area office manager pointed out that, since final decisions on UDAG projects are made in Washington, it is not improper for HUD headquarters to disagree with area office recommendations in light of changes in the project, additional information, and comparison to other projects nationwide. Our review of project files revealed that, between the time of the area office's recommendation and the preliminary application approval, additional information and commitments were obtained from the developer and a significant change (concerning traffic mitigation) was made to the proposed project.

- - - - -

We made our review at HUD headquarters in Washington, D.C., where UDAG decisions are ultimately made. We reviewed HUD's files on the project and held discussions with the UDAG program director and deputy director as well as other responsible UDAG officials involved with this grant. In addition, we discussed the project, or parts thereof, with

- a representative of the city of Pittsburgh,
- the manager of HUD's Pittsburgh area office,
- the president of the Green Tree Borough Council,
- a representative of the Pennsylvania Department of Transportation, and
- officials of the Federal Highway Administration.

At your request, we did not take the time to obtain written agency comments, but the matters covered in the report were discussed with agency officials. Their comments are included in the report where appropriate. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days from its issue date. At that time we will send copies to the Secretary of Housing and Urban Development and the

B-199280

Director, Office of Management and Budget, and make copies available to other interested parties.

Sincerely yours,

A handwritten signature in cursive script that reads "Henry Eschwege". The signature is written in black ink and is positioned above the typed name.

Henry Eschwege  
Director